

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: December 13-14, 2006

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Information Item

From: CINDY McKIM
Chief Financial Officer

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Chief
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Subject: **FY 2006-07 1st QUARTER RAIL OPERATIONS REPORT**

SUMMARY:

This is the 1st Quarter Intercity Rail Operations Report for FY 2006-07, as requested by the California Transportation Commission (Commission). The report provides information for each route on ridership, on-time performance, revenue and expense, and farebox ratio measures. Data for July and August 2006 is actual. September 2006 results are estimated by Amtrak, as actual data is not yet available.

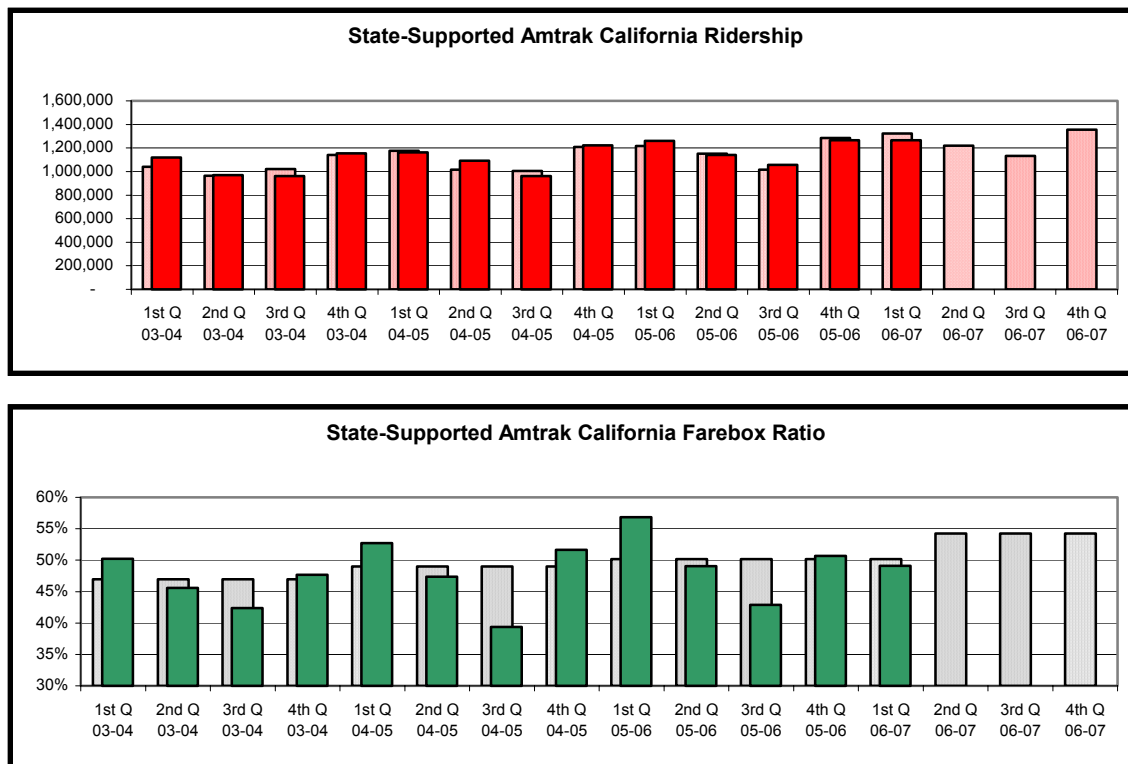
California provides financial and administrative support for Amtrak intercity rail passenger service on three corridors within the State: the *Pacific Surfliner* Route between San Diego, Los Angeles, and San Luis Obispo; the *Capitol Corridor* between San Jose, Oakland and the Sacramento region; and the *San Joaquin* Route between Bakersfield and both Oakland and Sacramento. These routes are, respectively, the second, third, and fifth busiest routes in the entire national Amtrak system. State support for the *Pacific Surfliner* and *San Joaquin* routes is administered by the California Department of Transportation (Department), while the third corridor is administered by a separate agency, the Capitol Corridor Joint Powers Authority (CCJPA), using funding provided by the Department.

Total ridership during the first quarter (July-September 2006) on the three routes increased by 0.4 percent over the comparable quarter in FY 2005-06, but was 4.3 percent below the Business Plan projection for the quarter. Ridership on all routes was strong in July and August, setting record levels on both the *Pacific Surfliners* and *Capitol Corridor*. However, ridership dropped on all routes in September as compared to September 2005, because September 2005 had extraordinarily high ridership as the result of spiking gas prices in that month. Additionally, extensive trackwork projects on the *Pacific Surfliner* Route impacted ridership.

The combined farebox ratio for the three routes was 49.0 percent in the first quarter, a decrease of 7.8 percentage points from the comparable quarter in FY 2005-06, and 1.0 percentage points below the Business Plan projection. Overall revenue in the first quarter increased 9.0 percent compared with the same quarter the previous year and was 20.9 percent higher than the Business Plan projection for the quarter. However, overall expenses increased 26.4 percent compared with the same quarter the previous year, and were 31.6 percent higher than the Business Plan projection.

As in the fourth quarter of FY 2005-06, a significant portion of the expense increase was the result of steep increases in fuel costs.

The following graphs depict the combined results of the three State-supported rail corridors in California. Route-specific charts are in the sections for each route that follow.

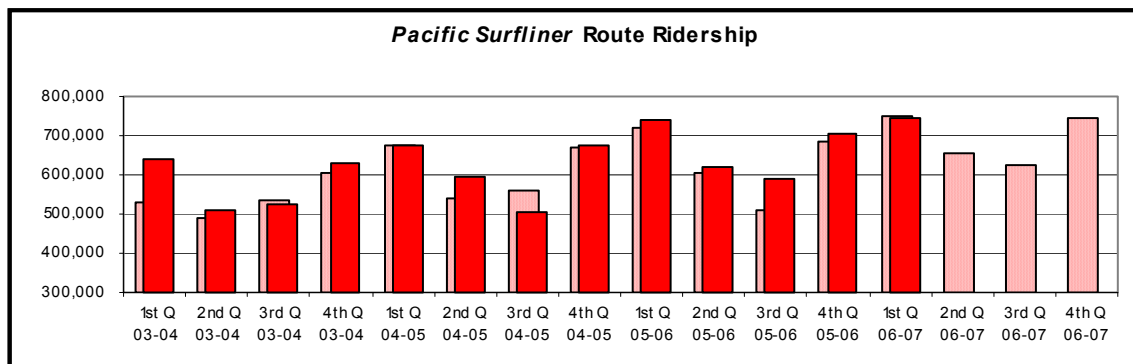


*Notes: Solid Bars reflect actual data; Shaded Bars reflect Business Plan Projection.
September data is estimated by Amtrak, as the final billings are not yet available*

BACKGROUND***Pacific Surfliner Route***

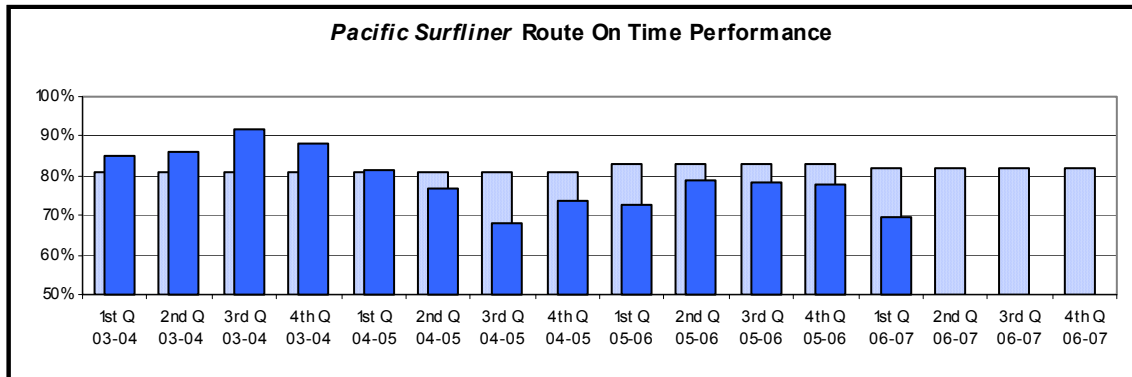
There are currently 11 weekday round-trips between Los Angeles and San Diego, four of which are through trains between San Diego and Goleta (Santa Barbara). One of the four Santa Barbara round-trips continues north to and from San Luis Obispo. A second San Luis Obispo train, which operates only between Los Angeles and San Luis Obispo, brings the total level of service north of Los Angeles to five round-trips daily.

Ridership on the *Pacific Surfliner* route continues to be strong. July and August 2006 set ridership records for their respective months, and the route has now set new monthly records in nine of the last thirteen months. September 2006 ridership was down from September 2005 for two reasons. First, track and signal work on September 4th and September 22nd through the 24th caused major train delays as well as train cancellations with bus replacements. Second, September 2005 had very high ridership as the result of spiking gasoline prices. Total *Pacific Surfliner* ridership for the first quarter was 0.3 percent higher than the same quarter the previous year but was 0.8 percent below the Business Plan.

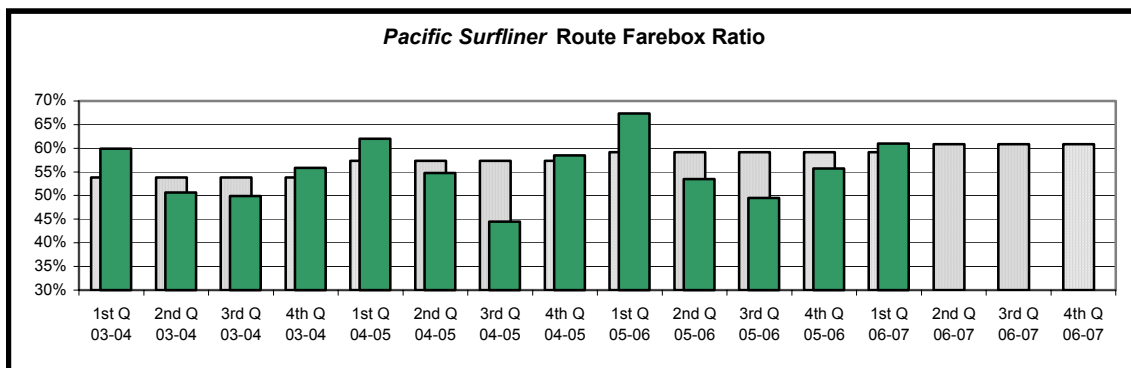


The “Rail 2 Rail” Program, in which the Department and Amtrak partner with both Metrolink and Coaster commuter rail services for the mutual honoring of tickets, continues to help spur ridership increases on all three services. In the Federal Fiscal Year (FFY) 2005-06, 421,000 riders took advantage of this Program, an increase of six percent over FFY 2004-05. Since its inception, almost one and a half million riders have benefited, demonstrating that the increased convenience of being able to use either of two systems at all stations from Oxnard south has made rail travel much more attractive throughout the Los Angeles/San Diego region. In addition to the “Rail 2 Rail” Program, targeted marketing to the senior and Hispanic markets is also contributing to the higher ridership and revenue on the corridor.

On-time performance (OTP) in the first quarter was 69.7 percent, 2.9 percentage points lower than in the first quarter of the previous year and 13.3 percentage points below the Business Plan projection of 83 percent. Traffic congestion (freight and passenger) continues to be a problem, particularly on the mostly single track Metrolink/Union Pacific line north of Los Angeles. OTP on the north end was 76.0 percent in the fourth quarter compared to 68.9 percent between Los Angeles and San Diego.



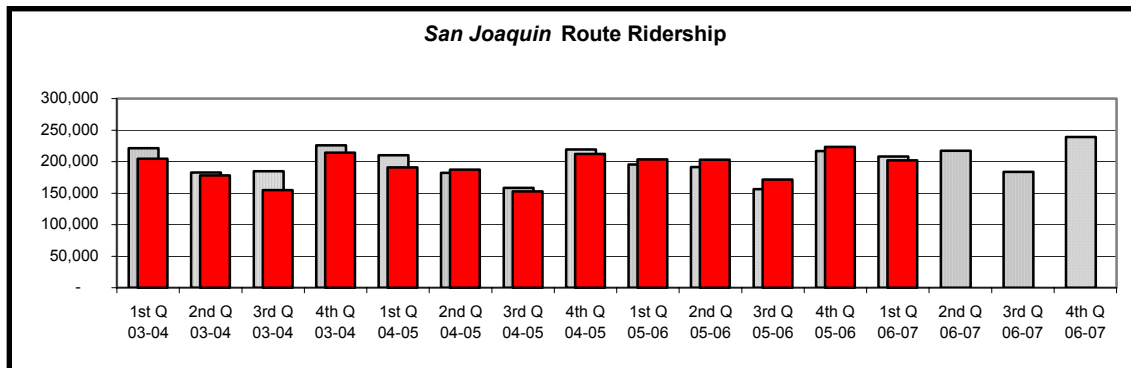
Farebox ratio decreased by 6.3 percentage points to 61.0 percent, but 2.0 points above the Business Plan projection of 59 percent. Revenue for the first quarter increased 10.2 percent compared to the same quarter the previous year and was 20.9 percent higher than the Business Plan projection. The corresponding increase in expense was 21.6 percent compared with the same quarter the previous year, and expense was 28.2 percent higher than the Business Plan projection. Fuel costs again accounted for a significant portion of the increase in expenses over the prior year.



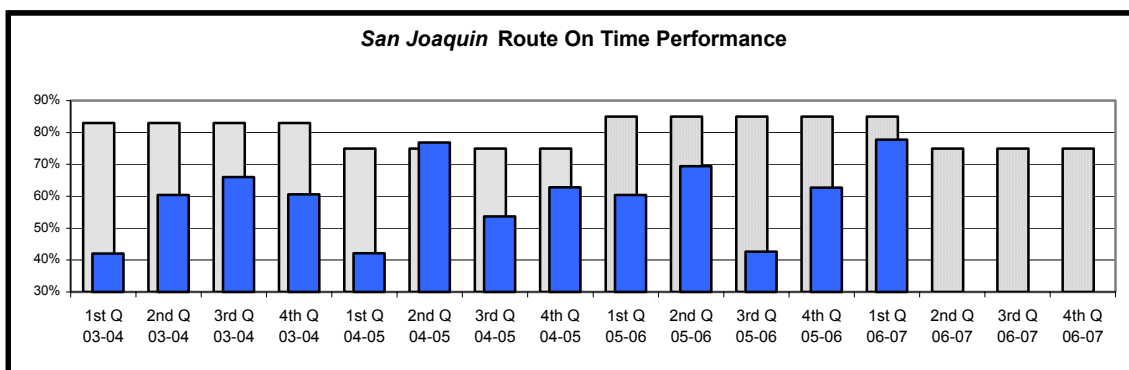
San Joaquin Route

Currently, six daily train round-trips serve the *San Joaquin Route*, four operating between Bakersfield and Oakland/San Francisco and two between Bakersfield and Sacramento. All six round-trips have dedicated bus connections between Bakersfield and Los Angeles and other points throughout Southern California. On the north end, buses at Stockton connect Sacramento with Oakland trains and connect San Francisco/Oakland with Sacramento trains, thus providing six daily arrivals and departures for both northern terminals. Additional connecting buses provide feeder service to communities throughout the north end of the State.

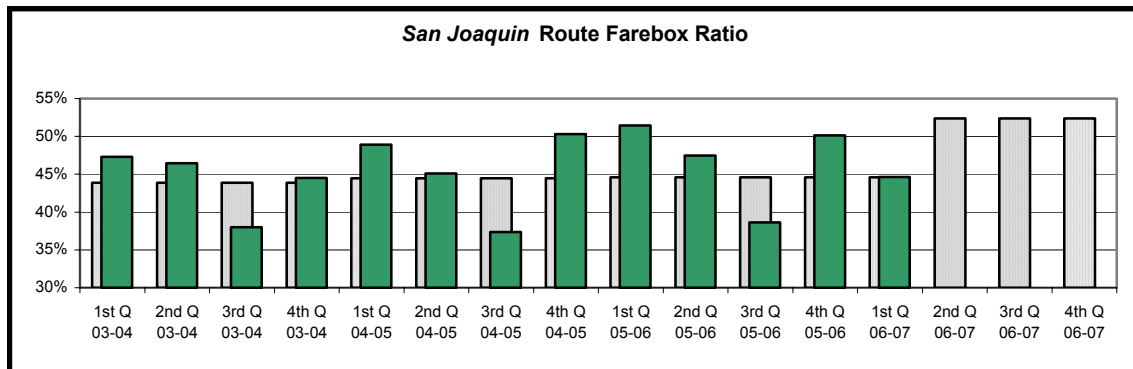
Ridership on the *San Joaquins* for the first quarter was 0.7 percent below the prior year. July 2006 was the best July in eight years; August was roughly equal to the prior year. However, September 2006 was below September 2005 because 2005 had very high ridership as the result of spiking gas prices. Nonetheless, the route has set new monthly records in six of the previous thirteen months. Total ridership in the first quarter was 2.9 percent below the San Joaquin Route Business Plan projection.



On-time performance, which was severely impacted by major track maintenance projects in early 2006, continues to rebound. Overall OTP in the first quarter was 77.7 percent, a 17.3 percentage point improvement over the preceding quarter. Although still 7.3 percentage points below the Business Plan projection, first quarter OTP demonstrated a 17.3 percentage point increase over the same period of the previous year. Train congestion on the busy single track BNSF main line in the Valley continues to be the major cause of delays.



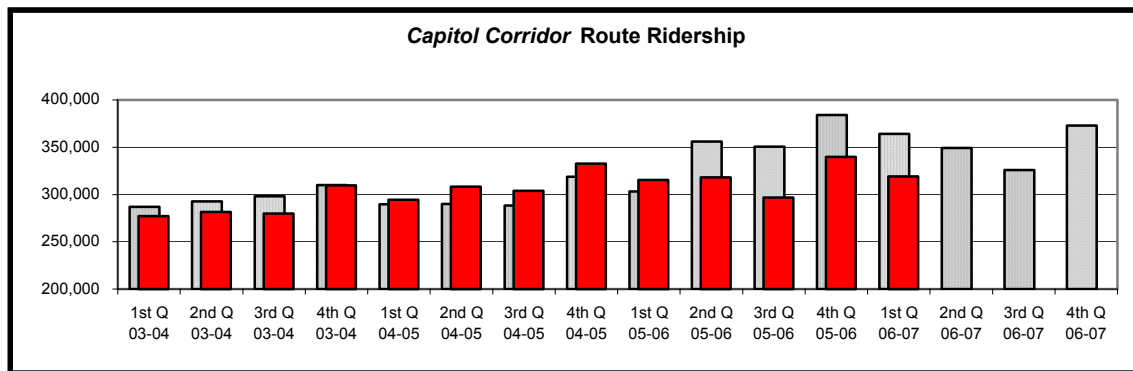
Farebox ratio decreased by 6.7 percentage points, to 44.7 percent, 0.3 percentage points below the Business Plan projection of 45 percent. Revenue for the fourth quarter increased 8.7 percent compared to the same quarter the previous year and was 22.3 percent higher than the Business Plan projection. The corresponding increase in expense was 25.1 percent compared with the same quarter the previous year, and expense was 29.6 percent higher than the Business Plan projection. Fuel costs accounted for a significant portion of the increase in expenses over the prior year.



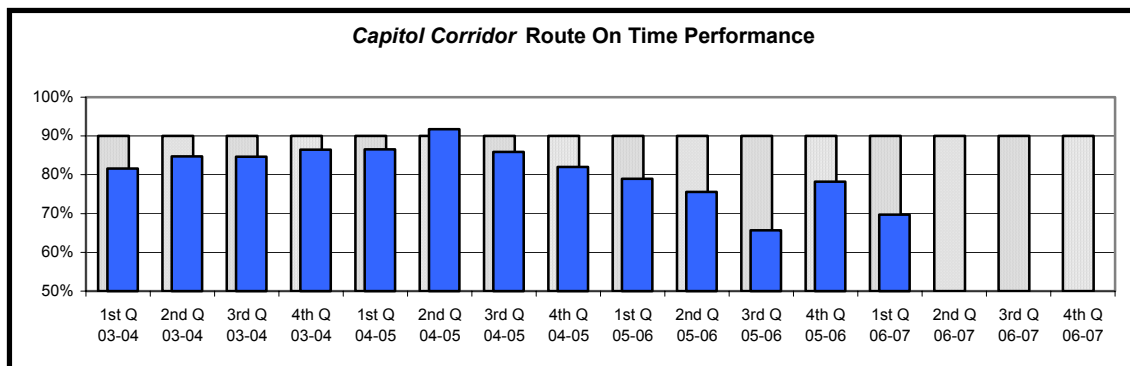
Capitol Corridor

On August 28, 2006, the Capital Corridor Joint Powers Authority added four weekday round trips between Sacramento and Oakland and extended three additional round trips south from Oakland to San Jose, bringing the total level of service to 16 weekday round-trips between Oakland and Sacramento with seven extending through to/from San Jose. Weekend service was increased from nine Sacramento-Oakland round-trips to eleven, with an additional (seventh) round-trip extending to San Jose. One round-trip each day continues to and from Auburn.

Ridership on the *Capitol Corridor* continues to grow steadily, and new monthly records were set in July and August 2006. September 2006 ridership declined from the previous year, but it still posted the second-best September ever. September 2006 was below September 2005 because 2005 had very high ridership as the result of spiking gas prices. However, the route has set new monthly records in eight of the last thirteen months. Total ridership in the first quarter increased 1.1 percent compared to the same period the year before but was 12.4 percent below the quarter's projection in the Business Plan.



On-time performance declined to 69.7 percent, 9.3 percentage points below the comparable quarter the previous year and 8.5 points below the preceding quarter. It was also 20.3 percentage points below the Capitol Corridor Business Plan projection of 90 percent. The track work project between Oakland and San Jose was completed (allowing the increase in service), but slow orders and train congestion along the entire route continue to impact trains.



Farebox ratio decreased 10.0 percentage points to 32.9 percent, 9.1 percentage points below the Business Plan projection of 42 percent. Revenue for the fourth quarter increased 5.7 percent compared to the same quarter the previous year and was 9.6 percent higher than the Business Plan projection. The corresponding increase in expense was 38.1 percent compared with the same quarter the previous year, and expense was 41.3 percent higher than the Business Plan projection. Part of the increase in expense was generated by the increase in service, and higher fuel costs were also a significant factor.

